

DECREE-LAW No. 24/2023 of May 24

FIRST AMENDMENT TO DECREE-LAW 31/2011, OF 27 JULY, TIMOR GAP - TIMOR GÁS & PETRÓLEO, E.P.

TIMOR GAP - Timor Gás & Petróleo, E.P., hereinafter referred to as TIMOR GAP, E.P., was established by Decree-Law 31/2011 of 27 July, to hold and manage, with a framework and principles of a business nature, the assets owned by the State of Timor-Leste in the sector of oil, natural gas and any other hydrocarbons and their derivatives.

Over the years, there have been changes to the legal regime guiding the business activities developed by TIMOR GAP, E.P. in the petroleum sector resulting, on the one hand, from the signing of the Treaty between the Democratic Republic of Timor-Leste and Australia Establishing their Respective Maritime Boundaries in the Timor Sea and, on the other hand, the development of the petroleum industry in the country. The Treaty between the Democratic Republic of Timor-Leste and Australia Establishing their Respective Maritime Boundaries in the Timor Sea, signed in New York on 6 March 2018, eliminated the Joint Petroleum Development Area (JPDA) and all related supervision and coordination structures and, consequently, required revision of the Petroleum Activities Law and other subsequent legislation guiding the upstream and downstream operations developed by TIMOR GAP, E. P., in the sector of petroleum, natural gas and any other hydrocarbons and their derivatives.

On the other hand, eleven years after the date of its incorporation, TIMOR GAP, E.P., identified new areas of intervention and defined new strategic objectives, aligned with the expectations and guidelines of the Government for the development of oil, natural gas and any other hydrocarbons and their derivatives. Thus, TIMOR GAP, E.P., intends to assume a new strategic role as a public company and support the objectives of the Government to position itself regionally as a reference in the area of carbon capture, natural gas and hydrogen storage.

In this sense, it becomes urgent to amend the decree-law that created TIMOR GAP, E.P., as well as its statutes, in order to fit into the new context, and adapt the objectives and structuring principles of TIMOR GAP, E.P., as a public company, to a strategic vision to accelerate the company's medium-to-long term growth in order to attract investment opportunities in the oil, natural gas and any other hydrocarbons and their derivatives sectors in Timor-Leste, as well as to conform it to the principles and bases of the organization of the Public Administration and the direct and indirect administration of the State set out in Decree-Law 30/2020 of 29 July and Decree-Law 16/2021 of 15 September.

Thus, the Government decrees the following pursuant to Article 115.1(e) and 115.3 of the Constitution of the Republic and Article 3 of Decree-Law 14/2003 of 24 September, as amended by Decree-Law 10/2005 of 21 November, to be valid as law:

Article 1

Object

The present diploma proceeds with the first amendment to Decree-law 31/2011, of 27 July, TIMOR GAP - Timor Gás & Petróleo, E.P..

Article 2

Alteration to Decree-Law 31/2011, of 27 July

Articles 2, 3, 4, 5, 6 and 7 of Decree-Law 31/2011, of 27 July, shall be amended to read as follows:

“Article 2

[...]

1. TIMOR GAP, E.P., has the nature of a public company and is subject to the supervisory and oversight powers to be exercised by the member of the Government responsible for the design and implementation of the energy policy and management of mineral resources, including petroleum and other strategic minerals, hereinafter referred to as the responsible minister.

2. Notwithstanding the autonomous nature of TIMOR GAP, E.P., all business activities and strategic orientation of the company shall be aligned with the guidelines and objectives of the Government for the sector, set by the responsible minister.
3. The responsible minister may request at any time that the company be submitted to external audits, including, namely, audits conducted by the Audit Chamber of the Supreme Administrative, Tax and Audit Court or by international audit businesses.

Article 3

[...]

1. TIMOR GAP, E.P. shall be governed by this decree-law, by its statutes and internal regulations and, subsidiarily, by Decree-Law 14/2003 of 24 September, as amended by Decree-Law 10/2005 of 21 November, 30/2020 of 29 July and 16/2021 of 15 September, and by the other legal provisions applicable to the business sector of the State.
2. [...].

Article 4

[...]

1. TIMOR GAP, E.P., has as its object the participation in any Petroleum Operations, as defined in article 2 of Law 13/2005, of 2 September, the Petroleum Activities Law, as amended by Laws 1/2019, of 18 January, and 6/2019, of 4 December, including upstream exploration, development and production activities, as well as operations of the same nature, carried out in Timor-Leste's maritime zone, as established in the Treaty between the Democratic Republic of Timor-Leste and Australia Establishing their Respective Maritime Boundaries in the Timor Sea and in the Greater Sunrise Special Regime, and also within and outside the national territory, to be carried out onshore or offshore.
2. [...].
 - a) Any service activities related to Petroleum Operations, including the construction, operation and maintenance of facilities and equipment, and activities related to the capture and storage of carbon, natural gas and any other hydrocarbons;
 - b) Any midstream and downstream commercial activities of storage, refining, processing, import, export, transportation, distribution, marketing and sale of petroleum and its derivatives, as well as natural gas and any other hydrocarbons, including the construction, operation and maintenance of infrastructure, such as oil and gas pipelines, terminals and storage, transportation, distribution, marketing and other infrastructure related to petroleum, natural gas and any other hydrocarbons;
 - c) Any fuel supply activities in the territory of Timor-Leste for the production and supply of electricity for essential services, namely national defense, aviation and health services;
 - d) *[Former subparagraph (c)]*.
3. In the pursuit of their object and purposes, TIMOR GAP, E.P., and its subsidiaries shall observe the principles of financial prudence. [...].

Article 5

Subsidiaries, participations and representations

1. To pursue any activities within its object, TIMOR GAP, E.P. is authorized to set up subsidiaries, which may associate with other national or foreign companies.
2. TIMOR GAP, E.P. and its subsidiaries, by decision of the Board of Directors of TIMOR GAP, E.P., can acquire, encumber and sell shares in any companies.
3. The subsidiaries owned or held by TIMOR GAP, E.P., are bound to the guidelines and strategic planning, policies and common corporate rules, set by guidelines of technical, administrative, accounting, financial or legal nature, which are approved by the Board of Directors.

4. TIMOR GAP, E.P., and its subsidiaries, by decision of the Board of Directors of TIMOR GAP, E.P., shall also be authorized to establish delegations, subsidiaries, agencies, branches, offices or other forms of representation, in the country and abroad.

Article 6

[...]

1. TIMOR GAP, E.P. and its subsidiaries are authorized, subject to prior due diligence, to form consortia or other forms of association of interests with national or foreign companies, with the aim of participating, within and outside the national territory, in any Petroleum Operations or similar or other activities enshrined in its object, provided for in Article 4.
2. The participation of TIMOR GAP, E.P., or any of its subsidiaries in Petroleum Operations within the national territory shall always be subject to the provisions of Article 22.1 of Law No. 13/2005 of 2 September 2005, the Petroleum Activities Law, as amended by Laws Nos. 1/2019 of 18 January and 6/2019 of 4 December and other applicable legislation.

Article 7

[...]

In pursuing the objective set out in Article 4.1, TIMOR GAP, E.P., acts under a regime of delegation by the State of the rights to participate in any Petroleum Operations provided for in Articles 22.3 and 22.4 of Law 13/2005 of 2 September, the Petroleum Activities Law, as amended by Laws 1/2019 of 18 January and 6/2019 of 4 December.”

Article 3

**Amendment to the statutes of TIMOR GAP - Timor Gás & Petróleo, E.P. (TIMOR GAP, E.P.),
annexed to Decree-Law 31/2011 of 27 July**

Articles 2, 4, 5, 7, 8, 9, 11, 12, 13, 14, 15, 16, 19, 22 and 25 of the Articles of Association of TIMOR GAP - Timor Gás & Petróleo, E.P. (TIMOR GAP, E.P.), annexed to Decree-Law 31/2011, of 27 July, are hereby amended to read as follows:

“Article 2

Supervision and oversight

TIMOR GAP, E.P. shall be subject to the supervisory and oversight powers to be exercised by the Government member responsible for the sector of energy policy and management of natural resources, including petroleum and other strategic minerals, hereinafter referred to as the responsible minister.

Article 4

[...]

1. TIMOR GAP, E.P., has as its object the participation in any Petroleum Operations, as defined in article 2 of Law 13/2005, of 2 September, the Petroleum Activities Law, as amended by Laws 1/2019, of 18 January, and 6/2019, of 4 December, including upstream exploration, development and production activities, as well as operations of the same nature, carried out in Timor-Leste’s maritime zone, as established in the Treaty between the Democratic Republic of Timor-Leste and Australia Establishing their Respective Maritime Boundaries in the Timor Sea and the Greater Sunrise Special Regime, and also within and outside the national territory, to be carried out onshore or offshore.
2. [...]:
 - a) Any service rendering activities related to Petroleum Operations, including the construction, operation and maintenance of facilities and equipment, and activities related to the capture and storage of carbon, natural gas and any other hydrocarbons;
 - b) Any midstream and downstream commercial activities of storage, refining, processing, import, export, transport, distribution, commercialization and sale of petroleum and its derivatives, as well as natural gas and any other hydrocarbons, including the construction, operation and

maintenance of infrastructure, such as oil and gas pipelines, terminals and infrastructure for storage, transport, distribution, commercialization and others related to petroleum, natural gas and any other hydrocarbons

- c) Any fuel supply activities in the territory of Timor-Leste for the production and supply of electricity for essential services, namely national defense, aviation and health services;
 - d) *[Former subparagraph (c)]*.
3. In pursuing its object and purposes, TIMOR GAP, E.P., and its subsidiaries shall observe the principles of financial prudence.

Article 5

Subsidiaries, participations and representations

1. To pursue any activities within its object, TIMOR GAP, E.P. is authorised to set up subsidiaries, which may associate with other national or foreign companies.
2. TIMOR GAP, E.P. and its subsidiaries, by decision of the Board of Directors of TIMOR GAP, E.P., may acquire, encumber and sell shares in any companies.
3. The subsidiaries owned or participated by TIMOR GAP, E.P., are bound to the guidelines and strategic planning, policies and common corporate rules, set by guidelines of technical, administrative, accounting, financial or legal nature, which are approved by the Board of Directors.
4. TIMOR GAP, E.P., and its subsidiaries, by decision of the Board of Directors of TIMOR GAP, E.P., shall also be authorised to establish delegations, subsidiaries, agencies, branches, offices or other forms of representation, in the country and abroad.

Article 7

Bodies

The bodies of TIMOR GAP, E.P. are

- a) [...];
- b) The Executive Management;
- c) *[Former subparagraph b)]*.

Article 8

Composition and term of office of the Board of Directors

1. TIMOR GAP, E.P. shall be governed by a Board of Directors composed of five members with deliberative functions.
2. The Chairman of the Board of Directors shall be appointed and dismissed by the responsible minister, after approval by the Council of Ministers.
3. The position of Chairman of the Board of Directors shall be assigned to a person with technical knowledge in the area of management, oil and gas, and energy.
4. The Minister of Finance shall appoint a member to represent the Ministry of Finance.
5. The other members shall be appointed and dismissed by the responsible Minister.
6. The members of the Board of Directors shall be appointed according to criteria of recognized merit and technical and management capacity.
7. The term of office for the President of the Board of Directors shall last four years and its renewal shall be subject to approval by the Council of Ministers.
8. The term of office for the member representing the Ministry of Finance has a four-year duration and its renewal is subject to approval by the Minister of Finance.
9. The other members of the Board of Directors shall have a four-year term of office, subject to renewal by the Minister of Finance.

10. Persons to be appointed as members of the Board of Directors must present a certificate of criminal record for the past 10 years as an admissibility requirement for the position.

Article 9

Powers of the Board of Directors

1. *[Former Article 9, introductory wording]*

- a) *[Former Article 9(a)];*
- b) *[Former Article 9(b)];*
- c) Approve the participation of TIMOR GAP, E.P. in any Petroleum Operations, without prejudice to the provisions of article 22.1 of Law 13/2005 of 2 September, the Petroleum Activities Law, as amended by Laws 1/2019 of 18 January and 6/2019 of 4 December;
- d) Approve the participation of TIMOR GAP, E.P., in operations of the same nature as those referred to in the preceding paragraph, carried out in Timor-Leste's maritime zone, as established in the Treaty between the Democratic Republic of Timor-Leste and Australia Establishing their Respective Maritime Boundaries in the Timor Sea and the Greater Sunrise Special Regime;
- e) *[Former paragraph e) of Article 9];*
- f) *[Former paragraph f) of Section 9];*
- g) To approve the establishment of subsidiaries, to set guidelines and strategic planning guidelines for them, as well as internal policies and common corporate rules, through guidelines of a technical, administrative, accounting, financial and legal nature, and to acquire, encumber and dispose of stakes in any companies
- h) To approve the acquisition, encumbrance, and disposal of shareholdings in any other companies
- i) To approve the payment of dividends to the State
- j) To appoint and dismiss members of the Board of Directors of subsidiaries;
- k) To approve the establishment of delegations, subsidiaries, agencies, branches, offices or other forms of representation in the country or abroad;
- l) to approve the acquisition of ownership of real estate, vessels and drilling and production units, as well as the encumbrance or disposal of these same assets;
- m) *[Former article 9, paragraph (h)];*
- n) To approve the internal policies and their modifications, including those of commercial, financial, supply, investment, human resources, quality, health, safety and environmental strategic management;
- o) Appointing and dismissing the Vice President of the Executive Management of TIMOR GAP, E.P.;
- p) Appointing and dismissing the other members of the Executive Management and supervising their management;
- q) *[Former item k) of Article 9];*
- r) To approve, for submission to the responsible minister, the internal regulations and their modifications;
- s) To approve the Basic Organization Structure and Plan of the Company;
- t) *[Former item n) of Article 9];*
- u) *[Formerly, Article 9, paragraph o)];*
- v) To deal with other matters that, by virtue of legal provisions or internal policies and regulations, are determined by the Council of Ministers or by the responsible minister.

2. The Vice President of the Executive Management of TIMOR GAP, E.P. shall be selected and appointed by the Board of Directors from among the staff of TIMOR GAP, E.P., or its subsidiaries, for a term of four years, renewable for a maximum of two successive terms.

Article 11

Chairman of the Board of Directors

1. [...].
2. In particular, the Chairman of the Board of Directors shall be responsible for ensuring that the Executive Management correctly exercises the company's management, in accordance with the determinations of the Board of Directors and the guidelines of the responsible minister.

Article 12

Composition and appointment of the Board of Directors

1. The Executive Management consists of a Chief Executive Officer (CEO), a Vice President and four or more members, appointed for a period of four years, renewable for up to two successive terms.
2. The Chairman of the Executive Board and CEO is the Chairman of the Board of Directors, inherently in that function.
3. The Board of Directors shall select and appoint the other members of the Executive Management from among the staff of TIMOR GAP, E.P., or its subsidiaries.
4. *[Former no. 3].*
5. When choosing the members of the Executive Management, the Board of Directors shall seek to observe criteria of recognized merit, management ability and knowledge and specialization in the respective areas of assignment.
6. The members of the Executive Management exercise their mandates on an exclusive basis, although they are allowed to exercise concurrently in management positions in subsidiaries and affiliates of TIMOR GAP, E.P., by resolution of the Board of Directors.
7. The Chairman of the Executive Management and CEO may delegate his powers to the Vice-Chairman or alternatively in any of the members by means of a delegation instrument expressly stating the powers delegated.

Article 13

Mission and Competencies of the Executive Management

1. [...].
2. [...]:
 - a) [...];
 - b) [...];
 - c) [...];
 - d) [...];
 - e) [...];
 - f) [...];
 - g) [...];
 - h) [...];
 - i) [...].
3. [...]:
 - a) Approve technical-economic evaluation criteria for investment projects, with the respective plans for delegation of responsibility for execution and implementation;
 - b) Approve criteria for the economic use of producing areas, in compliance with specific legislation;
 - c) Approve the company's pricing policy;

- d) Approve the charts of accounts, basic criteria for the calculation of results, amortization and depreciation and changes in accounting practices;
- e) Approve forms, letters of endorsement, internal circulars and memoranda within the scope of TIMOR GAP, E.P.'s current operations and activities.

Article 14

Functioning of the Executive Management

1. The Executive Management shall meet ordinarily once a month with the majority of its members, among them the President of the Executive Board and CEO, and extraordinarily when convened by the President of the Executive Board and CEO, the Vice President or four or more other members.
2. The decisions taken by the Executive Management in ordinary and extraordinary meetings are recorded in the proper minute book.

Article 15

Nature of the Audit Committee

The Audit Committee is the body responsible for monitoring the legality, regularity and proper financial and asset management of TIMOR GAP, E.P., ensuring compliance with the legal, statutory and regulatory norms in force.

Article 16

Composition and appointment of the Audit Committee

The Audit Committee is composed of three members appointed by a joint ministerial decree from the Ministry of Finance and the responsible minister for a term of four years, renewable only once.

Article 19

Legal deposit of the list of declared assets

1. The list of assets declared in terms of the preceding article shall be submitted and filed with the office of the responsible minister and the Anti-Corruption Commission.
2. [...].

Article 22

Management Functions

1. The functions of senior management and the powers and responsibilities of the respective holders are defined in the descriptions approved by the Board of Directors in the Basic Organizational Structure Plan of the Company and in the descriptions of each function.
2. [...].
3. The management functions that are part of the Basic Organizational Structure Plan of the Company, at the other levels, have the powers and responsibilities defined in the descriptions approved by the Board of Directors and in the internal policies.

Article 25

Revenues

1. [...]:
 - a) [...];
 - b) [...];
 - c) [...];
 - d) [...].
2. [...].
3. TIMOR GAP, E.P., may, by resolution of the Board of Directors, pay dividends to the State with profits from the economic activities included in its object, without prejudice to the constitution of

its reserves and funds, by resolution of the Board of Directors, in a percentage to be agreed upon between the Board of Directors and the responsible minister.”

Article 4

Systematic divisions of the TIMOR GAP - Timor Gás & Petróleo, E.P. (TIMOR GAP, E.P.) statutes annexed to Decree-law 31/2011, of 27 July

The systematic divisions of the TIMOR GAP - Timor Gás & Petróleo, E.P. (TIMOR GAP, E.P.) Articles of Association, annexed to Decree-law 31/2011, of 27 July, are amended as follows

- a) A Section II entitled “Executive Management” is added to Chapter II, entitled “Statutory Bodies”, comprising articles 12 to 14;
- b) The current Section II of Chapter II, entitled “Audit Committee”, becomes Section III of the same Chapter II.

Article 5

Republication

Decree-Law 31/2011, of 27 July, is republished, with the current wording and the necessary grammatical and legalistic corrections, in an annex to the present diploma, of which it is an integral part.

Article 6

Entry into force

The present diploma enters into force on the day following its publication.

Approved by the Council of Ministers on 15 February 2023.

The Prime Minister,

Taur Matan Ruak

The Minister of Petroleum and Minerals,

Victor da Conceição Soares

Promulgated on 15 May 2023

To be published.

The President of the Republic,

José Ramos-Horta